GoP Vision for Wealth Accounting

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Training on Wealth Accounting Macroeconomic Indicators
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Outline of Presentation

I. The Philippine Macroeconomy
   A. Wealth of the Philippines vis PDP 2011-2016
   B. Natural capital accounting and its significance

II. Relevance of enhanced macroeconomic indicators in policy, planning and programming
   - Past NCA initiatives in the Philippines

III. The Phil-WAVES
   A. WAVES GPP and its objectives
   B. Phil-WAVES Components vis a vis expected outputs
   C. Policy Questions to be addressed by Phil-WAVES
I.A. Natural Wealth of the Philippines

Wealth of the Philippines ($ per capita, 2010 estimates)

<table>
<thead>
<tr>
<th>$ per capita (2010 estimates)</th>
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</thead>
<tbody>
<tr>
<td>Total Wealth</td>
<td>34,172</td>
</tr>
<tr>
<td>Produced Capital</td>
<td>5,049</td>
</tr>
<tr>
<td>Natural Capital</td>
<td>6,337</td>
</tr>
<tr>
<td>Intangible Capital</td>
<td>23,090</td>
</tr>
<tr>
<td>Net Foreign Assets</td>
<td>(305)</td>
</tr>
</tbody>
</table>

Source: World Bank interim estimates, 2014

Natural Capital Composition, 2010

Source: The World Bank, 2014
Country’s Economic Status (2013-2014) and Government’s targets for 2015-2016:

<table>
<thead>
<tr>
<th>Selected Indicators</th>
<th>Actual 2013</th>
<th>Actual 2014</th>
<th>Annual Projections</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>7.2</td>
<td>6.1</td>
<td>7.0-8.0</td>
</tr>
<tr>
<td>Unemployment rate (in %)</td>
<td>7.2&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>6.8 (FY) &lt;sup&gt;a/&lt;/sup&gt;</td>
<td>6.7</td>
</tr>
<tr>
<td>Underemployment rate (% of employed)</td>
<td>19.0&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>18.4 (FY) &lt;sup&gt;a/&lt;/sup&gt;</td>
<td>18.0</td>
</tr>
<tr>
<td>Poverty Incidence (% of population)</td>
<td>24.6&lt;sup&gt;b/&lt;/sup&gt; (1&lt;sup&gt;st&lt;/sup&gt; Sem 2013)</td>
<td>25.8&lt;sup&gt;b/&lt;/sup&gt; (1&lt;sup&gt;st&lt;/sup&gt; Sem 2014)</td>
<td>22.5</td>
</tr>
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</table>
GDP Does Not Measure:

- Wear and tear and depreciation resulting from using produced assets like factories, roads, and bridges.
- Loss of natural areas that provide ecosystem services to the economy, like pollination.
- Extent to which renewable resources like forests and fisheries are being depleted.
- Depletion of minerals and mineral fuels.
- Future losses resulting from greenhouse gas emissions – sea level rise, extreme weather, and agricultural losses.
- Future economic losses when pollution leads to premature deaths and chronic disease.

Source: Stefanie Sieber Presentation on NCA, World Bank
The source of income and well-being is wealth, broadly defined to include: Produced capital, Natural capital and ‘Intangible’ capital.

NCA focuses on the part of total wealth that comes from mineral, energy, agricultural, soil, timber, and water assets.
Enhanced macroeconomic indicators through natural capital accounting will help inform policy formulation and plan/program development:

- Guide the formulation of development plans and policies towards Sustainable Development
- Guide proper valuation of resources
- Guide identification of development options/activities vis-à-vis trade-offs
II.A. Past NCA Initiatives in the Philippines

1. Environmental and Natural Resources Accounting Project (ENRAP)
   - Led by the DENR, funded by USAID, and adopted the Henry Peskin approach to environmental accounting, focusing on data use for public policy.
   - Conducted special studies and policy simulations in addition to the construction of natural capital accounts (i.e. forests, fisheries, minerals, soils, air & water pollution, environmental damages, direct nature services)
   - Developed series of economic instruments including an exemption from forest charges of community-based forest management agreements

2. Philippine Economic-Environmental and Natural Resources Accounting (PEENRA)
   - Implemented by the PSA (former NSCB) which used the SEEA Framework for NCA, funded by the UN
   - Focused on data production and the development of environmental accounts and less on policy applications
   - Generated national asset accounts (i.e., fishery, forest, minerals, land, and water) in physical and monetary terms, flow accounts of emissions for 14 subsectors (i.e., agriculture, fishery & forestry sector, manufacturing, mining, electricity generation, and land transport services)
The Partnership on Wealth Accounting and Valuation of Ecosystem Services (WAVES) aims to promote sustainable development worldwide through the implementation of wealth accounting that focuses on the value of natural capital and on integrating Natural Capital Accounting (NCA) in development planning and policy analysis. In particular, WAVES will:

(i) implement NCA based on the UN’s 2012 System of Environmental and Economic Accounts (SEEA) in 6-10 developing and developed countries;

(ii) incorporate natural capital accounts in development planning and policy analysis;

(iii) develop internationally accepted, standardized guidelines for ecosystem accounting; and

(iv) establish a partnership to promote widespread adoption of NCA beyond the pilot countries.

(Source: http://www.wavespartnership.org/en)
### III.B. Phil-WAVES Components vis-à-vis Outputs

<table>
<thead>
<tr>
<th>Component</th>
<th>Expected Output</th>
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<tbody>
<tr>
<td>1. Macroeconomic indicators</td>
<td>Enhanced macroeconomic indicators such as adjusted net savings (ANS), adjusted net national income (ANNI), produced capital (PC), and comprehensive wealth (CW)</td>
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<tr>
<td>2. National satellite account for priority sectors</td>
<td>National Asset Accounts for Minerals (physical and monetary)</td>
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<tr>
<td>3. Ecosystem Accounts</td>
<td>Sub-national Asset Accounts for Southern Palawan and Laguna Lake ecosystems (physical and monetary)</td>
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<tr>
<td>4. Capacity Building</td>
<td>Technical trainings for each component</td>
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<tr>
<td>5. Communications</td>
<td>National communication materials for the Phil-WAVES program in the country and four subprograms</td>
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III.C. Phil-WAVES Accounts and Policy Questions

- **National asset account for minerals** (ongoing)
  - Key policy issue: revenue and benefit sharing

- **Ecosystem Account for the Laguna Lake basin** (ongoing)
  - Key policy issues: water pollution & siltation/sedimentation

- **Ecosystem Account for Southern Palawan** (ongoing)
  - Key policy issue: land use conflicts

- **National asset account for mangroves** (planned for 3rd year of implementation)
  - Key policy issue: coastal zone protection & CCA/DRR measure
Thank you!